



## **FEDERAL RESERVE SYSTEM**

### **Agency information collection activities: Announcement of Board approval under delegated authority and submission to OMB**

**AGENCY:** Board of Governors of the Federal Reserve System

#### **SUMMARY:**

Notice is hereby given of the final approval of a proposed information collection by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

#### **FOR FURTHER INFORMATION CONTACT:**

Federal Reserve Board Clearance Officer, Cynthia Ayouch, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

OMB Desk Officer, Shagufta Ahmed, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17<sup>th</sup> Street, NW., Washington, DC 20503.

#### **Final approval under OMB delegated authority to revise the following report:**

*Report title:* Capital Assessments and Stress Testing information collection.

*Agency form number:* FR Y-14A/Q/M.

*OMB Control number:* 7100-0341.

*Effective Dates:* March 31, 2013 and June 30, 2013.

*Frequency:* Annually, semi-annual, quarterly, and monthly.

*Reporters:* Large banking organizations that meet an annual threshold of \$50 billion or more in total consolidated assets (large Bank Holding Companies or large BHCs), as defined by the Capital Plan rule (12 CFR 225.8).<sup>1</sup>

*Estimated annual reporting hours:* FR Y-14A: Summary, 50,160 hours; Macro scenario, 1,860 hours; Counterparty credit risk (CCR), 2,292 hours; Basel III/Dodd-Frank, 600 hours; and Regulatory capital, 600 hours. FR Y-14 Q: Securities risk, 1,200 hours; Retail risk, 1,920 hours; Pre-provision net revenue (PPNR), 75,000 hours; Wholesale corporate loans, 6,720 hours; Wholesale commercial real estate (CRE) loans, 6,480 hours; Trading risk, 41,280 hours; Basel III/Dodd-Frank, 2,400 hours; Regulatory capital, 4,800 hours; and Operational risk, 3,360 hours; and Mortgage Servicing Rights (MSR) Valuation, 864 hours; Supplemental, 960 hours; and Retail Fair Value Option/Held for Sale (Retail FVO/HFS), 1,216 hours. FR Y-14M: Retail 1<sup>st</sup> lien mortgage, 153,000 hours; Retail home equity, 146,880 hours; and Retail credit card, 91,800 hours. FR Y-14 Implementation and On-Going Automation: Start-up for new respondents, 79,200 hours; and On-going revisions for existing respondents, 9,120 hours.

*Estimated average hours per response:* FR Y-14A: Summary, 836 hours; Macro scenario, 31 hours; CCR, 382 hours; Basel III/Dodd-Frank, 20 hours; and Regulatory capital, 20 hours. FR Y-14Q: Securities risk, 10 hours; Retail risk, 16 hours; PPNR, 625 hours; Wholesale corporate loans, 60 hours; Wholesale CRE loans, 60 hours; Trading risk, 1,720 hours; Basel III/Dodd-Frank, 20 hours; Regulatory capital, 40 hours; Operational risk, 28 hours; MSR Valuation, 24 hours; Supplemental, 8 hours; and Retail FVO/HFS, 16 hours. FR Y-14M: Retail 1<sup>st</sup> lien mortgage, 510 hours; Retail home equity, 510 hours; and Retail credit card, 510 hours. FR Y-14 Implementation and On-Going Automation: Start-up for new respondents, 7,200 hours; and On-going revisions for existing respondents, 480 hours.

*Number of respondents:* 30.

*General description of report:* The FR Y-14 series of reports are authorized by section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), which requires the Federal Reserve to ensure that certain BHCs and nonbank financial companies supervised by the Federal Reserve are subject to enhanced risk-based and leverage standards in order to mitigate risks to the financial stability of the United States (12 U.S.C. 5365). Additionally, section 5 of the BHC Act authorizes the Board to issue regulations and conduct information collections with regard to the supervision of BHCs (12 U.S.C. 1844).

As these data are collected as part of the supervisory process, they are subject to confidential treatment under exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. 552(b)(8)). In addition, commercial and financial information contained in these

---

<sup>1</sup> The Capital Plan rule applies to every top-tier large BHC. This asset threshold is consistent with the threshold established by section 165 of the Dodd-Frank Act relating to enhanced supervision and prudential standards for certain BHCs.

information collections may be exempt from disclosure under FOIA exemption 4 U.S.C. 552(b)(4)). Such exemptions would be made on a case-by-case basis.

*Abstract:* The data collected through the FR Y-14A/Q/M schedules provide the Federal Reserve with the additional information and perspective needed to help ensure that large

BHCs have strong, firm-wide risk measurement and management processes supporting

their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The annual Comprehensive Capital Analysis and Review (CCAR) exercise is also complemented by other Federal Reserve supervisory efforts aimed at enhancing the continued viability of large BHCs, including (1) continuous monitoring of BHCs' planning and management of liquidity and funding resources and (2) regular assessments of credit, market and operational risks, and associated risk management practices. Information gathered in this data collection is also used in the supervision and regulation of these financial institutions. In order to fully evaluate the data submissions, the Federal Reserve may conduct follow up discussions with or request responses to follow up questions from respondents, as needed.

The annual FR Y-14A collects large BHCs' quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios.<sup>2</sup> The quarterly FR Y-14Q collects granular data on BHCs' various asset classes and PPNR for the reporting period, which are used to support supervisory stress test models and for continuous monitoring efforts. The monthly FR Y-14M comprises three loan- and portfolio-level collections, and one detailed address matching collection to supplement two of the loan- and portfolio level collections for first lien mortgages and home equity mortgages.

On October 12, 2012, the Federal Reserve published two final rules in the *Federal Register* (77 FR 62409) with stress testing requirements for certain bank holding companies, state member banks, and savings and loan holding companies. The final rules implement sections 165(i)(1) and (i)(2) of the Dodd-Frank Act. Section 165(i)(1) of the Dodd-Frank Act requires the Board to conduct an annual stress test of each covered company<sup>3</sup> to evaluate whether the covered company has sufficient capital, on a total consolidated basis, to absorb losses as a result of adverse economic conditions (supervisory stress tests). Section 165 (i)(2) requires the Board to issue regulations that require covered companies to conduct stress tests semi-annually and require financial

---

<sup>2</sup> BHCs that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission.

<sup>3</sup> See 12 U.S.C. 5365(a). A "covered company" includes any bank holding company with total consolidated assets of \$50 billion or more and each nonbank financial company that the Council has designated for supervision by the Board.

companies with total consolidated assets of more than \$10 billion that are not covered companies and for which the Federal Reserve is the primary federal financial regulatory agency to conduct stress tests on an annual basis (collectively, company-run stress tests).

*Current actions:* On December 20, 2012, the Federal Reserve published a notice in the Federal Register (77 FR 75434) requesting public comment for 60 days on the revision of the FR Y-14 information collection. The Federal Reserve proposed revisions to the monthly FR Y-14M schedules and modifications to the frequency for certain FR Y-14A and FR Y-14Q schedules, effective March 31, 2013, to help refine supervisory stress tests and better evaluate BHCs' stress tests results. Revisions to the FR Y-14M schedules included: (1) adding data items to all three loan- and portfolio-level collections, and the address matching collection, (2) clarifying several data items currently collected, and (3) deleting data items that are no longer needed. The comment period expired on February 19, 2013. The Federal Reserve received eleven comment letters regarding the proposed changes: eight from BHCs, two from private companies, and one from a group of trade associations.<sup>4</sup> All substantive comments are summarized and addressed below.

## **Summary of Comments**

Most of the comments received requested clarification of the instructions for the information to be reported, or were technical in nature. These comments will be addressed in the final FR Y-14 reporting instructions. The Federal Reserve also received three comments not directly related to the proposed revisions to the FR Y-14 information collection regarding suggestions to (1) improve the current Frequently Asked Questions process, (2) prioritize collected data items in order of importance to the Federal Reserve, and (3) provide feedback to the mid-cycle company run stress test in a timely manner. Federal Reserve plans to take these comments under consideration and address them at a later date, as appropriate. The following is a detailed discussion of aspects of the proposed FR Y-14 collection for which the Federal Reserve received one or more substantive comments and an evaluation of, and responses to the comments received.

### *A. General*

In general, commenters expressed concerns about the overall expansion of the information collection, the ongoing frequency of modifications to the reporting forms, and the increased burden those modifications will cause to reporters. Specifically, several commenters noted that the proposal substantially increases the number of data items on the FR Y-14M schedules, leaving BHCs insufficient time to make appropriate changes to their models, modify reporting systems, and integrate these systems with their internal controls structure. These commenters also requested delayed implementation of the revisions and guidance for BHCs and recommended developing a "best efforts standard" for missing or incomplete data.

The Federal Reserve weighed the potential increase in respondent burden against the need to collect additional information to enhance the Federal Reserve's ability to conduct

---

<sup>4</sup> Three trade associations submitted a joint comment letter.

effective supervisory stress testing, and made certain modifications to the proposal in response to the comments received. Specifically, the Federal Reserve will eliminate 12 proposed and 2 existing data items from the FR Y-14M schedules and delay the effective date until June 30, 2013 for most of the data items being added to the FR Y-14M schedules (except for the 8 proposed Basel II items on the FR Y-14M first-lien and home equity schedules).<sup>5</sup> Additional details on the items being eliminated are provided below. Furthermore, the Federal Reserve agrees that changes to the reporting forms should be less frequent and substantive to allow for the development of mature systems and processes and is working towards minimizing changes to the FR Y-14 reporting forms going forward.

Regarding the comment that a “best efforts standard” be applied, one commenter requested that such a standard be applied to data items that must be obtained from third parties. Other commenters noted particular data items that are difficult to obtain because of their historical nature or because they are part of portfolios that have been acquired. Firms are expected to comply with all regulatory reporting requirements and firms that have completed a merger or acquisition have requested and been granted extensions to allow additional time to reach full compliance. However, the Federal Reserve understands the difficulty in obtaining certain data items, particularly those obtained from third parties, and will investigate providing additional instructions regarding a “best efforts standard.”

Regarding the reporting forms, one commenter suggested modifying the FR Y-14 reporting forms to clearly distinguish between the reporting of retail loans secured by 1-4 family residential properties from commercial loans secured by similar collateral. The Federal Reserve recognizes this distinction in loan classification but needs additional time to understand the extent of this issue and will make this distinction in a future proposal, if appropriate. Additionally, one commenter suggested that the formulas in the FR Y-14A Summary Schedule be modified to allow a firm to make one submission for both the supervisory baseline scenario and the BHC baseline scenario if a firm uses the supervisory baseline scenario as the BHC baseline scenario. The Federal Reserve understands the potential reduction in burden of allowing one submission, but believes additional investigation into the effect this change may have on the next annual Comprehensive Capital Analysis and Review and Dodd-Frank Act (DFA) stress test is warranted, and will consider issuing further guidance to address this comment.

Several commenters requested that the Federal Reserve attempt to minimize duplicative reporting requirements among the Federal Reserve’s reporting forms and between the Federal Reserve’s and other agencies’ reporting forms. One commenter expressed concern over similar elements between the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128), FR Y-14A, and FR Y-14Q and suggested the reporting forms be changed to eliminate duplication. While the Federal

---

<sup>5</sup> There are four Basel II items being added to both the First Lien Closed-end 1-4 Family Residential Loan Schedule and the Domestic Home Equity Loan and Home Equity Line Schedule: Basel II – Probability of Default (PD), Basel II – Loss Given Default (LGD), Basel II – Expected Loss Given Default (ELGD), and Basel II – Exposure at Default (EAD).

Reserve recognizes that the aforementioned reporting forms contain similar elements, their differing frequencies, data items, and levels of granularity prevent consolidation of similar elements on any one reporting form. Another commenter suggested that better alignment should be achieved between the FR Y-14 and similar reporting requirements of other banking agencies. The Federal Reserve coordinates closely with other federal banking agencies that collect similar information and is working to eliminate duplicative requirements; however, other agencies have independent authority to collect such information.

The timing of reporting form submissions to the Federal Reserve and communication issued by the Federal Reserve was noted as an issue by several commenters. It was suggested by one commenter that the reporting timeline for the FR Y-14M should match the reporting timeline for the FR Y-14Q/FR Y-9C. Another commenter suggested that the submission deadlines for both the FR Y-14Q and FR Y-14M should be five days after the deadline for the FR Y-9C to provide more time for reconciliation between reporting forms. The Federal Reserve notes that all filers to date have largely complied with the reporting submission deadlines, which have been in place since the creation of the aforementioned reporting forms. The Federal Reserve needs to retain the current submission deadlines in order to allow sufficient time to conduct supervisory responsibilities.

Numerous comments were received inquiring whether firms are required to submit historical data for new data items on the FR Y-14M schedules. The Federal Reserve generally notes that unless a reporting form specifically requests historical data, respondents are not required to provide the Federal Reserve with historical data for any new data items.

Several commenters raised concerns regarding the mid-cycle DFA company run stress tests. One commenter suggested reducing the burden on reporters for the mid-cycle DFA company run stress test by both limiting the requirements for supporting documentation (as stated in the instructions to the FR Y-14A) and creating an abbreviated version of the FR Y-14A Summary Schedule. While the Federal Reserve agrees that limiting the supporting documentation for the mid-cycle submission may effectively reduce burden, creating an abbreviated version of the FR Y-14A Summary Schedule may prevent the Federal Reserve from conducting a complete analysis consistent with the annual stress test.

#### *B. FR Y-14M Credit Card Schedule*

In the December 20<sup>th</sup> proposal, the Federal Reserve proposed adding 65 new data items to the FR Y-14M Credit Card schedule: 46 data items to the account level and 19 items to the portfolio level. Additionally, the Federal Reserve proposed to revise the reporting of 11 existing account level data items from optional to mandatory. After careful consideration of comments and reporting burden, the Federal Reserve will adopt a final schedule with 59 of the proposed new data items: 40 data items to the account level and 19 items to the portfolio level. The majority of comments received requested

clarification of item definitions and will be addressed in the final instructions. Some comments, however, suggested significant modification to data items and are addressed below.

Several commenters noted a lack of clarity among the possible selections for Month-End and Cycle-End Account Status items, especially regarding charged-off accounts and accounts in collection stage. Specifically, commenters expressed confusion about which option should be applied to charged-off accounts and how the Federal Reserve defines an account being in the collections stage. The Federal Reserve will revise the proposed selection options to be more specific.

Several commenters requested additional guidance regarding generating the information requested in the revised Customer ID item and the proposed new Co-borrower ID, Corporate ID and Trade Key items, because they are to be populated “using the algorithm provided by the Federal Reserve Board or its agent.” After consideration of the new definitions, the Federal Reserve believes that such an algorithm is unnecessary and will revert to the existing definition of Customer ID and remove Co-Borrower ID and Trade Key from the final schedule. Questions related to generating the Corporate ID would be directed to the Federal Reserve’s data aggregator.

Several commenters stated that they do not store census tract information in their internal data management systems. Therefore, the Federal Reserve will remove data items for Account Billing Address – Census Tract, Account Billing Address – Street Address, and Account Billing Address – City.

Several commenters suggested adding a third response of “Other” to the proposed data item Updated Income Source to account for sources that do not qualify as “Household” or “Individual.” The Federal Reserve will add a third response of “Other.”

Several commenters requested clarification regarding what to report if one Annual Percentage Rate (APR) is to be reported but several APRs existed in the reporting period. The Federal Reserve will clarify the instructions to state that firms should report a weighted average of APRs throughout the reporting period.

### *C. FR Y-14M First Lien Closed-end 1-4 Family Residential Loan Schedule*

In the December 20<sup>th</sup> proposal, the Federal Reserve proposed adding 40 new data items to the loan-level table of the First Lien schedule. Additionally, the Federal Reserve proposed removing three existing data items from the same table. After consideration of comments and reporting burden, the Federal Reserve will revise the final schedule adding 36 of the proposed new data items to the loan-level table and removing 2 existing data items. With respect to the final list of proposed items, the Federal Reserve did not receive substantive comments on most of the proposed items. Most of the comments received required only clarification to definitions, which will be provided in the final instructions.

The Federal Reserve proposed to eliminate the Home Affordable Refinance Flag item, because it had appeared, based on a preliminary analysis, that the information reflected in this data item could be derived from other data items. However, after further consideration and analysis, the Federal Reserve has determined that the information reflected in the Home Affordable Refinance Flag data item cannot be derived from other data items. In addition, several commenters suggested that the Federal Reserve work with other agencies to better align the FR Y-14M schedules with data collections by other agencies in order to reduce the burden on reporters. Retaining the Home Affordable Refinance Flag would facilitate greater consistency with other agencies' data collections and, accordingly, retaining this item may reduce the burden on FR Y-14M reporters. Therefore the Federal Reserve will retain the Home Affordable Refinance Flag data item in the final schedule.

One commenter suggested that the data item Product Type should include an option for 10 year fixed-rate loans. The Federal Reserve has observed many instances of 10 year fixed-rate loans and will add an option for such loans.

Similarly to the Credit Card schedule, several commenters requested additional guidance regarding the Customer ID and the Co-borrower ID items. After consideration of comments and additional burden to reporters of these proposed items, the Federal Reserve will remove the items Co-Borrower ID and Customer ID. In an effort to additionally minimize reporting burden, the proposed items Prepayment Penalty Waived This Month and Reason for Default will also be eliminated.

#### *D. FR Y-14M Domestic Home Equity Loan and Home Equity Line Schedule*

The Federal Reserve proposed adding 27 new data items to the Loan/Line Level Table and 1 new data item to the Portfolio Level Table. Additionally, the Federal Reserve proposed to delete 1 existing data item from the Loan/Line Level Table. After consideration of comments and reporting burden, the final schedule will add 25 and eliminate 1 of the proposed new data items and eliminate 1 existing data item from the Loan/Line Level Table. Most of the comments received required only clarification to definitions, which will be provided in the final instructions.

Similarly to the First Lien schedule, several commenters requested additional guidance regarding the Customer ID and the Co-borrower ID items. After consideration of comments and additional burden to reporters of these proposed items, the Federal Reserve will remove the items Co-Borrower ID and Customer ID. In an effort to additionally minimize reporting burden, the proposed items Escrow Amount at Origination and Remodified Flag will also be eliminated as well as the existing item Escrow Amount Current.

Board of Governors of the Federal Reserve System, March 25, 2013.

Robert deV. Frierson,  
Secretary of the Board.

Billing Code 6210-01-P

[FR Doc. 2013-07272 Filed 03/28/2013 at 8:45 am; Publication Date: 03/29/2013]